



China Stationery Limited

(Incorporated in Bermuda under the Companies Act 1981 of Bermuda)

(Company Registration No.: 40535)

(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)

(Malaysian Branch Registration No.: 995224-W)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
30 JUNE 2013**

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

Unaudited Condensed Consolidated Statement Of Comprehensive Income

		Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
		30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	501,812	515,619	259,688	255,231	952,067	1,012,896	492,695	501,384
Cost of sales		(277,359)	(289,795)	(143,533)	(143,449)	(528,223)	(566,748)	(273,355)	(280,540)
Gross profit		224,453	225,824	116,155	111,783	423,844	446,148	219,340	220,844
Other income		1,847	3,898	956	1,930	3,552	5,839	1,838	2,890
Selling and distribution expenses		(33,602)	(57,086)	(17,389)	(28,258)	(44,091)	(77,898)	(22,817)	(38,560)
Administrative expenses		(13,031)	(4,340)	(6,744)	(2,148)	(23,805)	(20,063)	(12,319)	(9,931)
Other expenses		(13,142)	-	(6,801)	-	(29,888)	-	(15,467)	-
Finance costs		(876)	(865)	(453)	(428)	(1,730)	(6,591)	(895)	(3,263)
Profit before taxation	B2	165,649	167,431	85,724	82,878	327,882	347,435	169,680	171,980
Income tax expense		(47,817)	(45,809)	(24,745)	(22,675)	(96,261)	(97,572)	(49,815)	(48,298)
Total comprehensive income after tax	B2	117,832	121,622	60,979	60,203	231,621	249,863	119,865	123,682



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

Unaudited Condensed Consolidated Statement Of Comprehensive Income (continue)

		Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
		30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to:-									
- Equity holders of China Stationery Limited		117,832	121,622	60,979	60,203	231,621	249,863	119,865	123,682
Total comprehensive income attributable to:-									
- Equity holders of China Stationery Limited		117,832	121,622	60,979	60,203	231,621	249,863	119,865	123,682
Earnings per share									
- Basic (cents/sen)	B12	9.48	10.67	4.91	5.28	18.64	21.93	9.64	10.86

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2012 and the accompanying explanation notes attached to this financial report.

Note:

- (1) The financial statement are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the average exchange rate of RMB1:RM0.5175 for the financial period ended 30 June 2013 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

Condensed Consolidated Statements Of Financial Position

	Unaudited	Audited	Unaudited	Audited
	As at 30 June 2013	As at 31 December 2012	As at 30 June 2013	As at 31 December 2012
	RMB'000	RMB'000	RM'000	RM'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	366,841	321,081	187,125	152,032
Land use rights	14,731	14,889	7,514	7,050
Non-current receivables	458	1,163	234	551
Other Investment	45,089	74,974	23,000	35,500
Investment property	145	145	74	69
	427,264	412,252	217,947	195,202
Current assets				
Inventories	59,092	53,012	30,143	25,102
Trade and other receivables	493,111	448,167	251,533	212,207
Cash and bank balances	2,070,254	1,889,491	1,056,037	894,674
	2,622,457	2,390,670	1,337,713	1,131,983
Less:				
Current liabilities				
Trade payables	87,556	76,074	44,662	36,021
Accrued liabilities and other payables	16,740	21,931	8,539	10,385
Interest-bearing bank borrowings	54,400	54,400	27,749	25,758
Dividend payable	38,981	-	19,884	-
Amount due to a shareholder	38	38	19	18
Income tax payable	45,148	37,323	23,030	17,673
	242,863	189,766	123,883	89,855
Net current assets	2,379,594	2,200,904	1,213,830	1,042,128
Non-current liability				
Deferred income tax liabilities	35,081	29,650	17,895	14,039
	35,081	29,650	17,895	14,039
Net assets	2,771,777	2,583,506	1,413,882	1,223,291



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

Condensed Consolidated Statements Of Financial Position (continue)

	Unaudited	Audited	Unaudited	Audited
	As at 30 June 2013	As at 31 December 2012	As at 30 June 2013	As at 31 December 2012
	RMB'000	RMB'000	RM'000	RM'000
EQUITY				
Share capital	6,226	6,226	2,856	2,726
Reserves	2,765,551	2,577,280	1,411,026	1,220,565
Total equity	2,771,777	2,583,506	1,413,882	1,223,291
Net asset per share attributable to equity holders of the Company (RMB/RM)	2.23	2.08	1.14	0.98

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2012 and the accompanying explanation notes attached to this financial report.

Notes:

- (1) The net assets per share attributable to equity holders of the Company is computed based on the net assets at 30 June 2013 and 31 December 2012 divided by the number of ordinary shares of 1,242,760,588.

(2) Other investments	30 June 2013 RMB'000	30 June 2013 RM'000
Investment in quoted shares in Malaysia-at cost	105,597	50,000
At market value		
Investment in quoted shares in Malaysia-market value	45,089	23,000
Impairment loss	60,508	27,000

The financial statement are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the exchange rate of RMB 1: RM 0.5101 at 30 June 2013 with comparatives were shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

Unaudited Condensed Consolidated Statement Of Changes in Equity

6 months ended 30 June 2013	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	6,226	64	449,936	-	(4,150)	100,629	-	2,030,801	2,583,506
Net profit for the period	-	-	-	-	-	-	-	231,621	231,621
Transfer to statutory reserves	-	-	-	-	-	930	-	(930)	-
Dividend declared	-	-	-	-	-	-	-	(43,350)	(43,350)
Balance at 30 June 2013	6,226	64	449,936	-	(4,150)	101,559	-	2,218,142	2,771,777

6 months ended 30 June 2013	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2013	2,726	29	163,474	-	(1,875)	45,818	45,246	967,870	1,223,288
Currency Translation difference	130	-	52,614	-	-	1,015	(28,956)	45,927	70,730
Net profit for the period	-	-	-	-	-	-	-	119,864	119,864
Transfer to statutory reserves	-	-	-	-	-	474	-	(474)	-
Dividend declared	-	-	-	-	-	-	-	-	-
Balance at 30 June 2013	2,856	29	216,088	-	(1,875)	47,307	16,290	1,133,187	1,413,882

The unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2012 and the accompanying explanation notes attached to this financial report.

Note:

- (1) The financial statement are presented in Renminbi (“RMB”) and translated into Ringgit Malaysia (“RM”) for information purpose and reference at the exchange rate of RMB 1: RM 0.5101 at 30 June 2013 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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Unaudited Condensed Consolidated Statement Of Changes in Equity (Continue)

6 months ended 30 June 2012	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012	5,777	64	177,981	(1,645)	(4,150)	96,887	-	1,617,637	1,892,551
Net profit for the period	-	-	-	-	-	-	-	249,864	249,864
Issued additional shares	183	-	175,751	-	-	-	-	-	175,934
Share issue expenses	-	-	(14,198)	-	-	-	-	-	(14,198)
Cancelled treasury shares	(14)	-	(1,631)	1,645	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	2,466	-	(2,466)	-
Balance at 30 June 2012	5,946	64	337,903	-	(4,150)	99,353	-	1,865,035	2,304,151

6 months ended 30 June 2012	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2012	2,646	29	87,535	(1,390)	(1,875)	45,254	21,816	789,044	943,059
Currency Translation difference	-	-	-	-	-	-	17,089	2,524	19,613
Net profit for the period	-	-	-	-	-	-	-	123,682	123,682
Issued additional shares	88	-	84,237	-	-	-	-	-	84,325
Share issue expenses	-	-	(6,852)	-	-	-	-	-	(6,852)
Cancelled treasury shares	(7)	-	(1,383)	1,390	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	1,246	-	(1,246)	-
Balance at 30 June 2012	2,727	29	163,537	-	(1,875)	46,500	38,905	914,004	1,163,827

The unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2012 and the accompanying explanation notes attached to this financial report.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

Unaudited Condensed Consolidated Statement Of Cash Flow

	As at 30 Jun 2013	As at 30 Jun 2012	As at 30 Jun 2013	As at 30 Jun 2012
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	327,882	347,435	169,679	171,980
Adjustment for				
Interest income	(3,533)	(3,759)	(1,828)	(1,861)
Depreciation of property, plant and equipment	13,903	11,940	7,195	5,910
Amortisation of land use rights	158	158	82	78
Foreign exchange loss	-	-	-	1
Impairment loss on other investment	29,885	-	15,465	-
Interest expenses	1,730	6,591	895	3,263
Operating profit before working capital changes	370,025	362,365	191,488	179,371
(Increase)/Decrease in inventories	(6,080)	(1,213)	(3,146)	(600)
Decrease/(Increase) in trade and other receivables	(44,239)	(4,975)	(22,893)	(2,463)
Increase in trade payables	11,482	5,325	5,942	2,636
Increase in accrued liabilities and other payables	(9,560)	20,926	(4,947)	10,358
Cash generated from operations	321,628	382,428	166,444	189,302
Interest received	3,533	3,759	1,828	1,861
Interest paid	(1,730)	(6,591)	(895)	(3,263)
Income tax paid	(83,005)	(99,933)	(42,955)	(49,467)
Net cash generated from operating activities	240,426	279,663	124,422	138,433
Cash flows from investing activities				
Purchase of property, plant and equipment	(59,663)	(45,918)	(30,876)	(22,729)
Net cash used in investing activities	(59,663)	(45,918)	(30,876)	(22,729)
Cash flows from financing activities				
Proceed from issue of new shares	-	175,933	-	87,087
Share issue expenses written off to share premium account	-	(14,198)	-	(7,028)
Bank loans obtained	-	51,600	-	25,542
Repayment of bank loans	-	(49,100)	-	(24,305)
Shareholder's loan	-	452	-	224
Net cash used in financing activities	-	164,687	-	81,520
Net increase in cash and cash equivalents	180,763	398,432	93,545	197,224
Cash and cash equivalents at 1 January	1,889,491	1,327,077	894,674	661,283
Effect on exchange rate on cash and bank balances on opening	-	-	83,138	(4,380)
Effect on exchange rate changes and translation	-	-	(15,320)	17,428
Cash and cash equivalents at 30 June	<u>2,070,254</u>	<u>1,725,509</u>	<u>1,056,037</u>	<u>871,555</u>

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2012 and the accompanying explanation notes attached to this financial report.

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

A. EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2013

1(a). Basis of preparation

i) The interim financial statements are unaudited and have been prepared in accordance with the International Accounting Standard (“IAS”), IAS 34 Interim Financial Reporting and paragraph 9.22(2) and Part A of Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, and should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2012 and the accompanying explanatory notes attached to this unaudited financial report.

ii) Changes in accounting policies

There are no changes in accounting policies for the quarter ended 30 June 2013.

iii) Basic of consolidation

A business combination involving entities under common controls is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The consolidated financial statements of the Group have been prepared using the historical cost method similar to the pooling of interest as it is a common control business combination. Under the historical cost method, the acquired assets and liabilities are recorded at their existing carrying amounts. Consistent accounting policies are applied for like transactions and events in similar circumstances. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. In the Company’s financial statements, investments in subsidiary are carried at cost less any impairment in net recoverable value that has been recognized in profit or loss.

iv) Functional currency and translation to presentation currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Renminbi, which is the functional currency of the Group.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and area involving a high degree of judgements are described below:

Critical assumption used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment according to the common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.



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Impairment loss on other investment

Other investment is financial assets categorised as fair value through profit or loss. The fair value of other investment traded in active markets is based on quoted market prices at the end of the reporting period. The management deemed the quoted market price as the fair value of the other investment. The surplus or shortfall between the fair value with the carrying amount is recognised in profit or loss.

Income tax

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realizable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

1(b). Interpretations and amendments to published standards effective in 2012

On 1 January 2012, the Group adopted the new or amended IFRS and IFRS Interpretations Committee (“IFRSC”) that are mandatory for application from that date. This includes the following IFRS and IFRSC, which are relevant to the Group:

Reference	Description
IAS 1	Presentation of Financial Statements - Amendments to review the way other comprehensive income is presented
IAS 24	Related Party Disclosure - Revised definition of related party
IAS 32	Financial Instruments: Presentation - Amendments relating to classification of rights issues

Improvements to IFRSs 2010

The adoption of these new/revised IFRS and IFRSC did not result in substantial changes to the Group’s accounting policies nor any significant impact on these financial statements.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED

30 JUNE 2013

1(c) IFRS not yet effective

At the date of authorisation of these financial statements, the following IFRS and IFRSC were issued but not yet effective:

Reference	Description	Effective date (annual periods beginning on or after)
IFRS 1	Amendments for government loan with a below-market rate of interest when transitioning to IFRSs	1 January 2013
IFRS 7	Financial Instruments Disclosures: Amendments related to the offsetting of assets and liabilities	1 January 2013
IFRS 9	Financial Instruments - Classification of Financial Assets and Financial Liabilities	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 16	Property, Plant and Equipment	1 January 2013
IAS 19 (as revised in 2011)	Employee Benefits- Amended Standard resulting from the Post-Employment Benefits and Termination Benefits Projects	1 January 2013
IAS 27 (as revised in 2011)	Separate Financial Statements	1 January 2013

The directors do not anticipate that the adoption of the above IFRS and IFRSC in future periods will have a material impact on the financial statements of the Group in the period of their initial adoption.

Management is currently considering the revised definition to determine whether any additional disclosures will be required and has yet to put systems in place to capture the necessary information. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 30 June 2013.

2. Audit report of the Group's preceding annual financial statements

The Group's audited consolidated financial statements for the financial year ended 31 December 2012 were not subject to any audit qualification.

3. Seasonality or cyclicity of operation

The business of the Group was not affected by any significant seasonal and cyclical factors for the current quarter and financial year-to-date.

4. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

5. Changes in estimates

Not applicable as there were no estimates being reported during the prior periods.

6. Changes in share capital and debts

There were no other issuance, cancellations, repurchase, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial year to date.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

7. Segment information

	<u>6 months ended 30 June 2013</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue	332,479	619,588	952,067
Segment results	181,280	242,564	423,844
Other income			3,552
Selling and distribution expenses			(44,091)
Administrative expenses			(23,805)
Other operating expenses			(29,888)
Finance expenses			(1,730)
Profit before taxation			327,882
Income tax expense			(96,261)
Total Profit after tax			231,621
Other segment information:			
Capital expenditure			59,663
Depreciation of property, plant and equipment			13,903
Amortisation of intangible assets			158

	<u>6 months ended 30 June 2013</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	172,058	320,637	492,695
Segment results	93,812	125,527	219,339
Other income			1,838
Selling and distribution expenses			(22,817)
Administrative expenses			(12,319)
Other operating expenses			(15,467)
Finance expenses			(895)
Profit before taxation			169,679
Income tax expense			(49,815)
Total Profit after tax			119,864
Other segment information:			
Capital expenditure			30,876
Depreciation of property, plant and equipment			7,195
Amortisation of intangible assets			82

Note:

- The financial statements are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the average exchange rate of RMB 1: RM0.5175 for the financial period ended 30 June 2013 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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7. Segment information (Continue)

	<u>6 months ended 30 June 2012</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue	289,488	723,408	1,012,896
Segment results	160,798	285,351	446,149
Other income			5,839
Selling and distribution expenses			(77,899)
Administrative expenses			(20,063)
Other operating expenses			-
Finance expenses			(6,591)
Profit before taxation			347,435
Income tax expense			(97,572)
Total Profit after tax			249,863
Other segment information:			
Capital expenditure			45,918
Depreciation of property, plant and equipment			11,940
Amortisation of intangible assets			158

	<u>6 months ended 30 June 2012</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	143,297	358,087	501,384
Segment results	79,595	141,249	220,844
Other income			2,890
Selling and distribution expenses			(38,560)
Administrative expenses			(9,931)
Other operating expenses			-
Finance expenses			(3,263)
Profit before taxation			171,980
Income tax expense			(48,298)
Total Profit after tax			123,682
Other segment information:			
Capital expenditure			22,729
Depreciation of property, plant and equipment			5,910
Amortisation of intangible assets			78

Note:

- (1) The financial statement are presented in Renminbi (“RMB”) and translated into Ringgit Malaysia (“RM”) for information purpose and reference at the average exchange rate of RMB1: RM0.495 for the financial period ended 30 June 2012 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented been or could be converted in RM at this or any other rate.



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8. Subsequent events

There is no other item transaction or event of a material or unusual nature has arisen in the interval between 31 December 2012 and the date of the quarter two consolidated results.

9. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter.

10. Contingent liability or assets

There were no material contingent liabilities or assets which may have material effect on the financial position of the Group.

11. Property, plant and equipment

The Group acquired an additional property, plant and equipment amounting to RMB 59.663 million (RM30.876 million) during the 6 months period ended 30 June 2013.

12. Capital commitment

Save as disclosed below, the Group is not aware of any material commitments, which upon becoming enforceable may have a material effect on the financial position of our Group:-

	As at	As at
	30 June 2013	30 June 2013
	RMB'000	RM'000
Unpaid capital contribution in Ruiyuan ⁽¹⁾	34,570	17,675
Unpaid capital contribution in Sakura Stationery ⁽¹⁾	36,545	18,685
Machineries ⁽²⁾	-	-
Construction cost for the New Plant ⁽²⁾	190	97
Total	71,305	36,457

Notes:

- (1) The unpaid capital contribution in Ruiyuan and Sakura Stationery denominated in USD i.e. USD5.6 million and USD 5.92 million respectively and are translated to RMB and RM at the exchange rates as at 30 June 2013 of USD 1: RMB 6.1732 and USD 1: RM 3.1563.
- (2) Our Group has unpaid capital expenditure in Sakura Plastics, Ruiyuan and Sakura Stationery of an amount of approximately RMB 0.19 million for the construction of the two (2) additional new buildings on the New Plant Land and for purchase of machineries.



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13. Significant related party transactions

The Group has entered into a Lease Agreement with the spouse of key management which is analysed as follows:

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Lease rental	60	31	60	31

14. Financial Instruments with off balance sheet risks

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the group. Management has in place processes and procedures to monitor the Group's risk exposures whilst balancing the costs associated with such monitoring and management against the costs of risk occurrence. The Group's risk management policies are reviewed periodically for changes in market conditions and the Group's operations.

The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

As at 31 December 2012 and 30 June 2013, the Group's financial instruments mainly comprise cash and bank balances, trade and other receivables, trade payables, accrued liabilities and other payables, amount due to a shareholder and bank borrowings.

15. Reserves

	As at 30 June		As at 31 December	
	2013	2013	2012	2012
	RMB'000	RM'000	RMB'000	RM'000
Capital reserve	64	29	64	29
Share premium	449,936	216,088	449,936	163,474
Treasury shares	-	-	-	-
Merger deficit	(4,150)	(1,875)	(4,150)	(1,875)
Statutory reserve	101,559	47,307	100,629	45,818
Translation reserves	-	16,290	-	45,249
Retained earnings	2,218,142	1,133,187	2,030,801	967,870
Total	2,765,551	1,411,026	2,577,280	1,220,565

(a) Capital Reserve

The capital reserve represents the premium arising from the issue of shares prior to 1 January 2008.

(b) Share Premium

The share premium represents the excess of issue price over the par value of the shares issued, net of share issue expenses.



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15. Reserves (continue)

(c) Treasury shares

The Company acquired 78,991,597 of its own shares in and around November and December 2008. The total amount paid to acquire the shares was RMB 95,015,000 and has been presented as a component within shareholders' equity. 51,291,597 treasury shares are subsequently cancelled on 27 January 2010.

Pursuant to an Investment Agreement dated 14 June 2010, LTH subscribed for 26,332,230 treasury shares of the Company at an aggregate of RM 36,340,000 (approximately RMB75,701,000) ("Investment Agreement"). The said shares were transferred to LTH on 6 July 2010 from the Company's treasury shares and the Investment Agreement was completed on the same day.

On 6 January 2012, the Company had cancelled all its treasury shares of 2,735,540.

(d) Merger Deficit

The merger deficit arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the pooling of interests method of accounting.

(e) Statutory Reserves

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profit after taxation prepared in accordance with the accounting regulation in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

In addition, the Group is required to transfer 5% of its profit after taxation prepared in accordance with the accounting regulations in the PRC to statutory welfare reserve. The use of the statutory public welfare reserve is restricted to capital expenditure for employees' facilities. The statutory public welfare reserve is non-distributable except upon liquidation.



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B. INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD UNDER LISTING REQUIREMENTS

1. Review of the performance of the Group

Our revenue decreased by approximately RMB 60.82 million or approximately 6% from approximately RMB 1,012.90 million in preceding period ended 30 June 2012 (“2Q2012”) to approximately RMB 952.07 million in current period ended 30 June 2013 (“2Q2013”) mainly due to decrease in sales of our Non-Patented products.

Sales of Patented Products increased by approximately RMB 42.99 million or approximately 14.85% from approximately RMB 289.49 million in 2Q 2012 to approximately RMB 332.48 million in 2Q 2013 mainly attributed by increase in sales volume for plastic tape printers in 2Q 2013 by approximately 17.88% as compared to 2Q 2012.

Sales of Non-Patented Products decreased by approximately RMB 103.82 million or approximately 14.35% from approximately RMB 723.41 million in 2Q 2012 to approximately RMB 619.59 million in 2Q 2013 was mainly attributed by decrease in sales volume from our filing and storage products and expandable files products of approximately 14.17% in 2Q 2013. The decrease mainly due to economic slowdown in of Europe and America market.

On Overall, our gross profit (“GP”) decrease by approximately RMB 22.31 million or approximately 5% from approximately RMB 446.15 million in 2Q 2012 to approximately RMB 423.84 million in 2Q 2013 with an average GP margin of 44.52% and 44.05% for 2Q 2013 and 2Q 2012 respectively.

Our profit after tax (“PAT”) decrease by approximately RMB 18.24 million or approximately 7.3% from approximately RMB 249.86 million in 2Q 2012 to approximately RMB 231.62 million in 2Q 2013 with an average PAT margin of 24.33 % and 24.67 % respectively for 2Q 2013 and 2Q 2012. The lower PAT margin in 2Q 2013 was mainly due to impairment loss on the quoted share (Pelikan share) of RMB 29.88 m.



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2. Variation of results against immediate preceding quarter

	Current Quarter 30 June 2013		Preceding Quarter 31 March 2013	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	501,812	259,688	450,255	221,886
Profit Before Taxation ("PBT")	165,649	85,724	162,233	79,948
Profit After Taxation ("PAT")	117,832	60,979	113,789	56,075

The Group recorded revenue of approximately RMB 501.81 million in the current quarter, which higher than first quarter by 11.45% mainly due to more sale order after May Chinese Export Commodities Fair.

The GP margin for current quarter is 44.73% as compare to 44.28% in preceding quarter remain fairly constant.

The PBT margin for current quarter is 33.01% as compare to 36.03% in preceding quarter. The decrease in PBT margin for current quarter was mainly due to increase in advertisement and exhibition cost approximately RMB 18.58 million.

The PAT margin for the current quarter is 23.48% as compare to 25.27% in preceding quarter. The decrease in PAT was mainly due to cost increased as stated above.

1. Prospects for FY 2013

In FY2013, the Group expects its growth to continue to be underpinned by our innovative Patented and Non-Patented.

The Group is optimistic about the growth prospects of its innovative Patented Products segment. Industry studies have shown that the global plastic stationery market is expected to achieve a compounded annual growth rate of approximately 5.3% from 2011 to 2014. The Group expects that as consumers become more affluent and the increase level of literacy, demand for high quality plastic stationery market will increase over time.

To further enhance its position as the largest manufacturer of plastic filing and storage products in Fujian Province, our Group have entered into contract to purchase new machineries for our new plant, and this will increase our production capacity that will lead to greater market share.



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3. Prospects for FY 2013 (continue)

The factors that are likely to influence the Group performance for FY2013 are as follows:-

(a) Currency Exchange Risk

The value of the RMB against foreign currencies is subject to changes in the PRC Government's policies and international economic and political developments.

An appreciation of the RMB may adversely affect our revenue as most of our revenue is derived from export to overseas markets and most of our overseas customers make payment in USD. However, our Executive Directors are of the opinion that a gradual appreciation of the RMB will have minimal impact on our Group's export revenue and profit margins as our Group is not operating on a price war strategy but differentiate our products by quality and innovativeness. Our Executive Directors are of the view that our Group will be able to increase our product prices should the RMB appreciate in value as we are constantly developing new products to address our customers' requirements.

Devaluation or depreciation of the RMB may affect our costs of sale as we make payment to our suppliers of PP materials in USD. Devaluation or depreciation of the RMB will also affect the amount of dividends or other distributions received by our Shareholders as well as any foreign currency obligations we may have. A revaluation or an appreciation of the RMB on the other hand may affect the amount of funds that we receive in RMB from fund raising activities outside the PRC as well as increased competition from imported/international stationery producers.

(b) Slow down of Europe Country Economy

Currently Europe market contributed approximately 15% of our total revenue. But due to the unforeseen Europe country economic crisis, to the certain extent it will also affect our group revenue.

(c) Supply and Price of PP Materials

PP materials are major components of our cost of sales. As PP materials are by-products of crude oil, the prices of PP materials are also affected to a certain extent by the movement of crude oil prices.

As a result, should there be any significant increase in the price of PP materials due to demand and supply conditions or increases in crude oil prices, and if we are unable to pass on such increase in costs to our customers, our profitability and thus our financial performance would be adversely affected.

Should there be a shortage of PP materials and our suppliers are unable to fulfil our requirements as contracted, our production, sales and financial performance would be adversely affected.

(d) Supply of production equipments from our supplier

Supplier unable to supply the equipment on time due to technical issue so affect our production schedule and launching time.

Barring unforeseen circumstances, the Group is optimistic about its performance in FY2013



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4. Profit forecast

Our Group does not have any profit forecast or guarantee in the public documents.

5. Income tax expenses

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
PRC Income tax expenses	45,119	23,349	90,830	47,005
Deferred income tax liabilities	2,698	1,396	5,431	2,810
	47,817	24,745	96,261	49,815

PRC Tax

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% for current quarter and financial year-to-date. The actual income tax provision is higher than 25% mainly due to provision of deferred tax on the 10% statutory reserve.

6. Status of corporate proposals and utilization proceeds

(a) Utilization of IPO proceeds

The gross proceeds of RM85,500,000 from the Public Issue are utilised in the following manner:-

	Proposed Utilization Amount	Actual Utilization Amount	Deviation Amount	Expected Utilisation Period After Our Listing
	RM'000	RM'000	RM'000	
(1) Advertising, branding and promotional	10,777	10,777	-	Within 24 months
(2) Purchase of machineries	29,418	28,541	877	Within 24 months
(3) Purchase of machineries for R&D department	25,005	-	25,005	Within 24 months
(4) Working capital	10,000	10,000	-	Within 12 months
(5) Estimated listing expenses	10,300	10,300	-	Within 6 months
Total	85,500	59,618		



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7. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 30 June 2013 were as follows:

	RMB'000	RM'000
Amount due to a shareholder (1)	38	19
Bank borrowing (2)	54,400	27,749

Notes:

- (1) The amount due to a shareholder is unsecured, interest-free and repayable on demand.
- (2) The Group's interest-bearing bank loan are guaranteed by :-
 - (i) certain property, plant and equipment;
 - (ii) land use rights;
 - (iii) director's personal guarantee; and
 - (iv) corporate guarantees by external companies and the Group's subsidiaries.

Short-term bank loans bear weighted average effective interest rates of 6.30% per annum.

8. Changes in material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

9. Dividends

The tax exempted final dividend of 1.6sen per ordinary share of SGD 0.001 each will be paid on 9 September 2013 to shareholders whose names appear in the company's Record Of Depositors on 19 August 2013.

10. Disclosure item of Profit & Loss:-

		Quarter Ended		Year to Date Ended	
		30 June		30 June	
		2013		2013	
		RMB'000	RM'000	RMB'000	RM'000
1)	Interest income;	1,857	951	3,533	1,828
2)	Other income including investment income;	-	-	-	-
3)	Interest expense;	876	453	1,730	895
4)	Depreciation and amortization;	7,328	3,792	14,061	7,277
5)	Provision for and write off of receivables;	-	-	-	-
6)	Provision for and write off of inventories;	-	-	-	-
7)	Gain or loss on disposal of quoted or unquoted investments or properties;	-	-	-	-
8)	Impairment of assets;	13,133	6,796	29,885	15,465
9)	Foreign exchange (gain) or loss;	5,014	2,595	9,878	5,112
10)	Gain or loss on derivatives; and	-	-	-	-



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11. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 30 June 2013 and 31 December 2012 are analysed as below:

	As at 30 June 2013		As at 31 December 2012	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiaries:				
- Realised	2,218,103	1,133,167	2,028,814	966,902
- Unrealised	39	20	1,987	968
Total Group Retained Earnings	2,218,142	1,133,187	2,030,801	967,870

Note:

- (1) Comparative figures are not required in the first financial year of complying with the Realised and Unrealised Profits/Losses Disclosure.



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12. Earning per share

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to equity holders of the company	117,832	121,622	60,978	60,203	231,621	249,863	119,864	123,682
Weighted average number of ordinary share in issue ('000)	1,242,761	1,165,963	1,242,761	1,165,963	1,242,761	1,165,963	1,242,761	1,165,963
Earning Per Share - Basic (cents/sen)	9.48	10.67	4.91	5.28	18.64	21.93	9.64	10.86

Notes:

- (1) Basic earning per share
Basic earning per share of the Group are calculated by dividing the profit for the quarter ended/year to date ended by the weighted average number of ordinary shares in issue during the financial year.
- (2) Diluted earning per shares
There is no diluted earnings per share as there were no potential dilutive ordinary shares outstanding as at end of the current and preceding quarter under review.